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CENTRAL INTELLIGENCE AGENCY

## REPORT

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**BREAKDOWN OF 1950 BUDGET OF COMMUNIST CHINA**

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## INTRODUCTION

### A. Objectives

1. To strengthen the centralized control and unified leadership of financial activities
2. To establish a financial system for the various areas suitable for their particular requirements

### E. Fiscal System (Two-Level System)

1. Central People's Government level
2. Local government levels
  - a. Major administrative areas
  - b. Provinces, including municipalities with provincial status
  - c. Special administrative districts, hsien, and municipalities with hsien status. Finances of these units are incorporated into the finances of the provinces

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d. Hsiangs and ts'uns under the control of hsiens. Finances of these units are incorporated into the finances of the hsien

## I. INCOME

A. Central People's Government

1. Business tax
2. Customs receipts
3. Salt tax
4. Income from enterprises operated and controlled directly by the Central People's Government
5. Liquidation of warehouses
6. Legal and administrative fees (including testamentary land fees)
7. Proceeds from domestic and foreign loans
8. State bank receipts
9. Other receipts, including proceeds from various contribution drives

B. Central and Local Government Receipts

1. Commodity taxes
2. Business taxes
  - a. Gross receipt taxes
  - b. Income taxes
  - c. Temporary business taxes
  - d. Small retail tax
3. Stamp tax
4. Transaction tax
5. Tax on interest received from deposits
6. Profit on liquor and tobacco monopoly
7. Agricultural surtax
8. Budget surplus of the previous fiscal year

C. Local Receipts

1. Slaughter tax
2. Deed tax

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3. Real-estate tax
4. Special consumers' tax
5. Licenses
6. Profits from enterprises operated by administrative areas and government units thereunder
7. Judiciary fees of local judiciary
8. Local cultural, educational, social, and health services
9. Local public property income
10. Other income, including various contributions
11. Various surtaxes
  - a. Business surtax, 10-15 percent
  - b. Income surtax, 10-15 percent
  - c. Temporary business surtax, 10-15 percent
  - d. Real-estate surtax, 20 percent
  - e. Public utilities (because of the land system this income cannot be included under uniform regulations)
  - f. Agricultural surtax
12. Surplus from previous year's budget

II. EXPENDITURES

Expenditures Included in the National Budget

- A. Military Expenditures
  1. Army, Navy, and Air Force
  2. National defense construction
  3. War
  4. Production work of troops
  5. War support

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C-C-N-F-I-D-E-N-T-I-A-L**B. Investment in Economic Construction and Business Expenditures**

1. State enterprises
2. Local state enterprises

**C. Social, Cultural, and Educational Activities**

## 1. Education

- a. Institutions on and above the level of universities and technical institutes
- b. All scientific research offices under the Central People's Government
- c. Elementary and middle schools directly under the control of the Central People's Government
- d. Cadre training
- e. Social education

## 2. Cultural activities

- a. Central broadcasting station and international broadcasting stations in various localities
- b. Motion-picture studios
- c. Motion-picture management companies
- d. Hsin-hua Bookstore
- e. Publishing houses, newspapers, printing plants, and theaters directly managed by the Central People's Government

## 3. Health services

- a. Pharmaceutical companies
- b. Newly acquired hospitals and schools formerly owned by churches
- c. Hospitals, antiepidemic teams, and sanatoriums directly controlled by the Central People's Government

## 4. Social services

- a. Pensions to disabled soldiers
- b. Unemployment relief
- c. Major flood and famine relief

## 5. Administrative expenses

- a. On the national level
- b. Foreign affairs
- c. Business (management)

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- d. Financial (management)
- e. Operational expenses and subsidies to public security units under the Central People's Government
- f. Central People's Government courts and judiciary operational expenses and food for penal institutions
- g. Food bureau, salt affairs bureau, and tax affairs bureau on Central People's Government level
- h. Subsidies and preferential treatment of cadres on the national level
- i. General printing expenses
- j. Political activities on the central government level
- k. Land reform expenses
- 6. Subsidies to parties and groups
  - a. Party committee members on the central government level
  - b. Mass organizations on the central government level
  - c. Cultural organizations on the central government level
- 7. Internal and external debt retirement, principal and interest
- 8. Stockpiling of materials
- 9. Other expenses

Expenditures Appearing in the  
Major Administrative Area Budgets

- A. Investments in Economic Construction and Expenses of Business Operations
  - 1. Enterprises in which the administrative area has invested capital, and enterprises managed by the administrative area
- B. Expenditures for Social, Educational, and Cultural Activities
  - 1. Education
    - a. Universities, specialized institutes, and other institutions on a higher level which are under the jurisdiction of the major administrative area
    - b. Elementary and secondary schools, and minority nationality institutes and their branches which are under the jurisdiction of the area
    - c. Training of area cadres
    - d. Social education

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2. Social
  - a. Area and border radio stations
  - b. Area-operated newspapers, publishing houses, bookstores, and printing plants
  - c. Area-operated theaters, peasant and workers' propaganda teams, and construction of memorials
3. Health services
 

Area-controlled hospitals, sanatoriums, antiepidemic teams, and convalescent homes
4. Social welfare
 

Pensions to disabled veterans
- C. Administrative and Management Expenditures
  1. Regular and special expenditures for area public security forces
  2. Area judiciary, and legal activities; food for convicts
  3. Food bureau, salt bureau, and tax bureau of area
  4. Area subsidies to family dependents of cadres
  5. Area printing and financial activities (including levies)
  6. Area political activities
  7. Land reform
- D. Subsidies to Party and Organizations
  1. Area party committees
  2. Area-level mass organizations
  3. Area-level cultural organizations
- E. Other Expenses

Expenses Included in Provincial  
and Municipal Budgets

- A. Investments in Economic Construction and Expenditures for Commercial Enterprises

Enterprises owned and controlled by provinces and municipalities
- B. Social, Cultural, and Educational Expenditures
  1. Education
    - a. Institutes and specialized schools under the jurisdiction of provinces and municipalities

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- b. Normal schools, elementary schools, and secondary schools under direct jurisdiction of provinces and municipalities
- c. Training of provincial and municipal cadres
- d. Provincial and municipal social education
- 2. Cultural activities
  - a. Newspapers, publishing houses, and printing plants operated by provincial and municipal governments
  - b. Theaters, literary workers' propaganda teams, and construction of memorials
- 3. Health services
  - Hospitals, medical teams, antiepidemic teams, and sanatoriums
- C. Administrative and Management Expenditures
  - 1. Maintenance of public security forces on the provincial and municipal level
  - 2. Judiciary activities and food for convicts
  - 3. Provincial and municipal food, salt, and tax bureaus
  - 4. Subsidies to family dependents of provincial and municipal level cadres
  - 5. General printing and financial expenditures on the provincial and municipal levels (including the levying of taxes)
  - 6. Political activities
- D. Subsidies to Party, Groups, and Organizations
  - 1. Party committees on a provincial and municipal level
  - 2. Mass organizations on a provincial and municipal level
  - 3. Cultural organizations on a provincial and municipal level
- E. Other Expenses

Local Expenditures

- A. Local Support and Subsidies
  - 1. Normal schools and elementary schools
  - 2. Hsien-operated hospitals
  - 3. Preferential treatment to dependent families of martyrs and workers

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C-O-N-F-I-D-E-N-T-I-A-LB. Expenditures Paid Through Local Contributions

1. Disaster relief funds
2. Orphanages and social relief
3. Production subsidies for government cadres and aged, disabled, and retired personnel

C. Assistance From the Masses

Preferential treatment to families of martyrs, soldiers, and workers

Estimated 1950 Budget of Communist China  
(in percent)

<u>Receipts</u>		<u>Expenditures</u>		<u>Deficit Financing</u>	
Grain tax	41.4	Military,	38.8	Bonds issued,	38.4
Various other taxes,	38.9	Administra- tive,	21.4		
Business taxes,	17.1	Investment in enterprises,	23.9	Currency issued,	$\frac{61.6}{100}$
Liquidation of warehouses,	2.4	Cultural and educational health activi- ties,	4.1	Deficit to be financed,	18.7
Other receipts,	.2	Other items,	11.8		
Total	100	Total	100		

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